

Message Text

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EUR - MR STABLER

EB - MR ARMSTRONG

S/ S - MR BARNES

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TO AMEMBASSY BONN

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TAGS: EGEN, ENRG, ETRD, EEC, EFTA, GATT, OECD, OPEC, GW,
XG, XH, XT

SUBJECT: BRANDT VISIT - US/ FRG CABINET ROOM DISCUSSIONS
ON ECONOMIC ISSUES

1. WITH UNDER SECRETARY CASEY IN THE CHAIR THE US AND FRG
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DELEGATIONS HELD A MEETING ON MAY 2 WHILE THE PRESIDENT AND THE SECRETARY MET SEPARATELY WITH CHANCELLOR BRANDT AND FOREIGN MINISTER SCHEEL. THE MAIN ELEMENTS OF THE DISCUSSION ARE SUMMARIZED BELOW, WITH THE DETAILS TO FOLLOW BY MEMORANDUM OF CONVERSATION.

2. MR. CASEY REVIEWED RECENT AND PROSPECTIVE US COMMERCIAL TRANSACTIONS WITH THE EAST, NOTING THAT OUR TRADE HAS INCREASED SUBSTANTIALLY BUT IS INHIBITED BY LACK OF MFN TREATMENT ON THE PART OF THE UNITED STATES FOR MOST OF THE COUNTRIES IN THE AREA. HE NOTED THAT OUR COMPREHENSIVE TRADE LEGISLATION DRAFT PROVIDES AUTHORITY FOR THE PRESIDENT TO EXTEND MFN UNDER CONDITIONS OF SATISFACTORY RECIPROCITY BUT THAT THIS SUBJECT HAS BEEN LINKED IN CONGRESS TO RESTRICTIONS ON EMIGRATION BY THE USSR. THERE FOLLOWED A DISCUSSION BETWEEN MR. CASEY AND MR. VAN WELL ABOUT THE SOVIET EMPHASIS ON COMMERCIAL RELATIONS BASED ON LARGE PROJECTS TO DEVELOP NATIONAL RESOURCES MORE THAN ORDINARY TRADE TRANSACTIONS. THE GERMAN SIDE SUGGESTED THAT WE COMPARE NOTES ON ALL LARGE PROJECTS INVOLVING MAJOR SOVIET DELIVERIES OF RAW MATERIALS, PARTICULARLY ENERGY SUPPLIES.

3. IN THE FIELD OF ENERGY MR. CASEY STRESSED THE NEED TO AVOID CONFRONTATION WITH THE OPEC COUNTRIES. HE HOPED THAT CONSUMING COUNTRIES WOULD, WITHIN THE CONTEXT OF OECD, CONSULT EACH OTHER AND COOPERATE TO AVOID UNNECESSARY PRESSURES ON PRICE AND SUPPLY, WORK TOGETHER IN RESEARCH AND DEVELOPMENT AND BE PREPARED TO SHARE SUPPLIES IN EXTREME EMERGENCY.

4. MR. CASEY SAID THAT THE EC GLOBAL MANDATE IS A GOOD BEGINNING BUT RAISES SOME QUESTIONS. IT DOES NOT REFER TO QTE MUTUAL ADVANTAGE AND MUTUAL COMMITMENT WITH OVERALL RECIPROCITY UNQTE (THE LANGUAGE OF THE JOINT US- EC DECLARATION OF FEBRUARY, 1972) RULES OUT THE ELIMINATION OF TARIFFS AS UNREALISTIC AND IMPLIES THAT US TARIFF CUTS SHOULD BE BROADER AND DEEPER THAN EC CUTS. WE ARE SEEKING AN OVERALL BALANCE OF CONCESSIONS, INCLUDING THE AGRICULTURAL AREA. APART FROM THE GENERAL MANDATE WE ARE INTERESTED IN THE GATT NEGOTIATION ON EC ENLARGEMENT AND

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ARE ANXIOUS FOR COMPENSATION FOR CHANGES IN PROTECTION. WE ARE ALSO CONCERNED OVER THE IMPACT ON OUR INDUSTRY OF FREE TRADE ARRANGEMENTS MADE WITH OTHER EFTA COUNTRIES AND HOPE THERE WILL BE APPROPRIATE CONSULTATION WITH US SO THAT WE CAN SEEK ADJUSTMENTS AND COMPENSATION FOR INJURIES INCURRED. WITH RESPECT TO EC PREFERENTIAL ARRANGEMENTS WITH THE LDC' S WE ARE SEEKING AN ACCOMMO-

DATION BY THE EC TO MEET OUR PARTICULAR CONCERN ABOUT
REVERSE PREFERENCES. THIS IS RELEVANT TO OUR DRAFT
LEGISLATION SINCE IT PROVIDES THAT GENERALIZED PREFERENCES
MAY NOT BE EXTENDED TO COUNTRIES WHICH GIVE PREFERENCES
TO OTHER DEVELOPED COUNTRIES. THIS COULD RESULT IN AN
UNDESIRABLE DIVISION OF TRADE ALONG NORTH- SOUTH LINES.

5. AT THE CLOSE OF MR. CASEY' S REMARKS, ASSISTANT
SECRETARY ARMSTRONG ADDED THAT WE SHOULD CONSULT ABOUT
LARGE PROJECTS INVOLVING SOVIET NATURAL RESOURCES BECAUSE
OF THE VERY GREAT AMOUNT OF CAPITAL INVOLVED AND SEEK TO
MAKE THESE ARRANGEMENTS LESS POLITICAL
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